

Message Text

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21

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 AGR-10 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 6866

UNCLAS TAIPEI 5723

STATE PASS WILLIAMS, FAS/USDA

E.O. 11652: N/A

TAGS: ETRD TW

SUBJECT: STATUS OF COTTON CONTRACTS

1. ECON COUNSELOR AND AGATTACHE MET WITH H.K. SHAO, ACTING DIRECTOR, BOARD OF FOREIGN TRADE (BOFT) AFTERNOON SEPT 2 TO REVIEW STATUS OF COTTON CONTRACTS FOLLOWING EXPIRATION OF AGREED PERIOD FOR OPENING ALL LETTERS OF CREDIT AUG 31.

2. BOFT REPORTED THAT LETTERS OF CREDIT HAD BEEN OPENED FOR 103,000 BALES AS OF AUG 30 AND CONTRACTS CANCELLED FOR 13,000 BALES.

3. ADDITIONAL PENALTY MEASURES AS RECOMMENDED BY EXECUTIVE YUAN ON JULY 24 WERE TAKEN ON AUG 20 AGAINST 16 MILLS WITH CONTRACTS FOR 70,000 BALES. HOWEVER, EIGHT OF THESE SUPPOSED MILLS WITH CONTRACTS FOR 34,000 BALES ARE NOT IN OPERATION AND PENALTIES THEREFORE WILL HAVE NO EFFECT.

4. DETAILS OF TRADE DISPUTES INVOLVING 13 MILLS WITH CONTRACTS FOR 46,000 BALES WERE PRESENTED TO THE FIFTH DEPARTMENT, BOFT, FOR CONSIDERATION ON SEPT 2. THE FIFTH
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DEPARTMENT WAS INSTRUCTED TO DETERMINE IF INDIVIDUAL

MILLS HAVE A VALID DISPUTE WHICH COULD SERVE AS THE BASIS
FOR NOT OPENING LETTERS OF CREDIT.

5. BOFT AGREED THAT A TRADE DISPUTE WITH ONE SUPPLIER
DOES NOT PROVIDE JUSTIFICATION FOR REFUSING TO OPEN
LETTERS OF CREDIT FOR COTTON CONTRACTED FROM OTHER
SUPPLIERS. BOFT FURTHER AGREED TO SEND NOTIFICATION
IMMEDIATELY TO THE 13 MILLS REFERRED TO IN PARA 4
ABOVE THAT THEY WOULD BE SUBJECT TO ALL PENALTIES IF
LETTERS OF CREDIT WERE NOT OPENED FOR SUPPLIERS WITH
WHOM THEY HAVE NO DISPUTE.

6. WHEN BOFT SENDS NOTIFICATION TO THE ABOVE MILLS
AND PENALTIES ARE IMPOSED, ALL MILLS WHICH ARE PAST
DUE IN OPENING LETTERS OF CREDIT WILL BE SUBJECT TO
FULL PENALTIES EXCEPT 3 MILLS (12,500 BALES CONTRACTED)
WHICH CLAIM NON DELIVERY OF MACHINERY AND 3 MILLS
(12,800 BALES CONTRACTED) WHICH HAVE BEEN RESOLD. THE
BOFT HAS NOT REACHED A DECISION ON THE HANDLING OF THESE
CASES.

7. BOFT AGREED TO PROVIDE LIST OF MILLS WITH TRADE
DISPUTES ALONG WITH DETAILS OF DISPUTE TO EMBASSY. WILL
FORWARD SHORT SUMMARY THESE DISPUTES BY SEPTTEL WHEN
RECEIVED.
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